

MARQUETTE TOWNSHIP, MACKINAC COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

March 31, 2004

**AUDITING PROCEDURES REPORT**

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Marquette Township	County Mackinaw
Audit Date March 31, 2004	Opinion Date May 26, 2004	Date Accountant Report Submitted to State: September 24, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

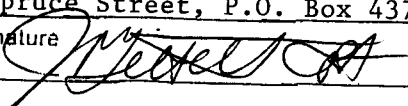
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Gillett, Halvorsen & Leonhardt, P.C., CPA			
Street Address 478 W. Spruce Street, P.O. Box 437	City Sault Ste. Marie	State MI	ZIP 49783
Accountant Signature 			

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ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE AMERICAN  
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Township Board  
Township of Marquette  
Pickford, Michigan 49774

We have audited the accompanying combined statement of assets and liabilities arising from cash transactions of Marquette Township, Pickford, Michigan, as of March 31, 2004, and the related combined statement of revenues collected, expenditures paid and changes in cash basis fund balances for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Marquette Township, Pickford, Michigan, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, Note 1, Marquette Township, Pickford, Michigan, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Township of Marquette has a population of less than 4,000 people and is therefore required by Act 2, Public Acts of 1968 of the State of Michigan to have an independent audit only biennially. The preceding year has thus not been audited; however, we have performed various test of the opening balances.

In our opinion, the combined financial statements listed in the table of contents present fairly, in all material respects, the assets, liabilities, and cash basis fund balances of Marquette Township as of March 31, 2004, arising from cash transactions, and its revenues collected, expenditures paid, and changes in cash basis fund balances for the year then ended, on the basis of accounting described in Note 1 - Summary of Significant Accounting Policies.

This report is intended solely for the information and use of the governing body and management of Marquette Township, Pickford, Michigan, and for filing with the State of Michigan. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Our audit was made for the purpose of forming an opinion on the financial statements of Marquette Township, Pickford, Michigan, taken as a whole. The other financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our report of auditors' communication and comments and recommendations is included herein and forms a part of this report.

*Gilbert Halverson & Lemhardt PC*

Certified Public Accountants

May 26, 2004  
Sault Ste. Marie, Michigan

## MARQUETTE TOWNSHIP

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
ALL FUND TYPES

March 31, 2004

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUP	
	GENERAL FUND	SPECIAL REVENUE FUNDS	TRUST AND AGENCY FUNDS	GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
=====					
ASSETS					
Cash and investments	\$267,842	\$ 91,718	\$142,821	\$ -0-	\$502,381
Taxes receivable	2,704	6,716	1,657	-0-	11,077
Due from other funds	761	-0-	-0-	-0-	761
Land and buildings	-0-	-0-	-0-	28,303	28,303
Furniture and equipment	-0-	-0-	-0-	23,703	23,703
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$271,307	\$ 98,434	\$144,478	\$52,006	\$566,225
	=====	=====	=====	=====	=====
LIABILITIES AND CASH BASIS FUND BALANCES					
LIABILITIES					
Deferred revenue					
Taxes receivable	\$ 2,704	\$ 6,716	\$ 1,657	\$ -0-	\$ 11,077
Due to other funds	-0-	-0-	761	-0-	761
	-----	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 2,704	\$ 6,716	\$ 2,418	\$ -0-	\$ 11,838
CASH BASIS FUND BALANCES					
Investment in general fixed assets	\$ -0-	\$ -0-	\$ -0-	\$52,006	\$ 52,006
Unreserved and undesignated	268,603	91,718	106,078	-0-	466,399
Reserved for pension	-0-	-0-	35,982	-0-	35,982
	-----	-----	-----	-----	-----
TOTAL CASH BASIS FUND BALANCES	\$268,603	\$ 91,718	\$142,060	\$52,006	\$554,387
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND CASH BASIS FUND BALANCES	\$271,307	\$ 98,434	\$144,478	\$52,006	\$566,225
	=====	=====	=====	=====	=====

See accompanying notes and auditors' report.

## MARQUETTE TOWNSHIP

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND  
CHANGES IN CASH BASIS FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

March 31, 2004

	GENERAL FUND	SPECIAL REVENUE FUNDS	FIDUCIARY FUNDS	TOTAL (MEMORANDUM ONLY)
<b>Revenues Collected:</b>				
Taxes	\$ 32,963	\$ 65,772	\$ 16,639	\$115,374
License and fees	4,310	-0-	-0-	4,310
State grants	53,172	3,620	-0-	56,792
Charges for services	6,813	-0-	-0-	6,813
Interest and rents	9,068	367	3,028	12,463
Other	-0-	-0-	187	187
Total Revenues Collected	\$106,326	\$ 69,759	\$ 19,854	\$195,939
<b>Expenditures Paid:</b>				
Legislative	\$ 2,394	\$ -0-	\$ -0-	\$ 2,394
General government	59,759	-0-	2,716	62,475
Public safety	3,888	6,510	-0-	10,398
Public works	33,422	11,698	9,682	54,802
Other functions	5,036	-0-	-0-	5,036
Total Expenditures Paid	\$104,499	\$ 18,208	\$ 12,398	\$135,105
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	\$ 1,827	\$ 51,551	\$ 7,456	\$ 60,834
<b>Other Financing Sources (Uses)</b>				
Payment to other governmental unit	\$ -0-	\$ -0-	\$ ( 5,763)	\$ ( 5,763)
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID AND OTHER FINANCING SOURCES (USES)	\$ 1,827	\$ 51,551	\$ 1,693	\$ 55,071
CASH BASIS FUND BALANCES - APRIL 1, 2003	266,776	40,167	104,385	411,328
CASH BASIS FUND BALANCES - MARCH 31, 2004	\$268,603	\$ 91,718	\$106,078	\$466,399

See accompanying notes and auditors' report.

## MARQUETTE TOWNSHIP

COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN  
CASH BASIS FUND BALANCES - GENERAL AND SPECIAL REVENUE FUNDS - BUDGET AND ACTUAL

March 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE UNDER (OVER)
Revenues Collected			
Taxes	\$ 31,000	\$ 32,963	\$ (1,963)
License and fees	4,000	4,310	(310)
State grants	50,000	53,172	(3,172)
Charges for services	6,000	6,813	(813)
Interest and rents	1,800	9,068	(7,268)
Total Revenues Collected	\$ 92,800	\$106,326	\$ (13,526)
Expenditures Paid			
Legislative	\$ 3,200	\$ 2,394	\$ 806
General government	70,600	59,759	10,841
Public safety	14,500	3,888	10,612
Public works	46,000	33,422	12,578
Other functions	7,900	5,036	2,864
Total Expenditures Paid	\$142,200	\$104,499	\$ 37,701
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	\$ (49,400)	\$ 1,827	\$ (51,227)
CASH BASIS FUND BALANCES - APRIL 1, 2003	266,776	266,776	-0-
CASH BASIS FUND BALANCES - MARCH 31, 2004	\$217,376	\$268,603	\$ (51,227)

See accompanying notes and auditors' report.



SPECIAL REVENUE FUNDS			TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE UNDER (OVER)	BUDGET	ACTUAL	VARIANCE UNDER (OVER)
\$ 60,000	\$ 65,772	\$ (5,772)	\$ 91,000	\$ 98,735	\$ (7,735)
-0-	-0-	-0-	4,000	4,310	(310)
-0-	3,620	(3,620)	50,000	56,792	(6,792)
-0-	-0-	-0-	6,000	6,813	(813)
300	367	(67)	2,100	9,435	(7,335)
\$ 60,300	\$ 69,759	\$ (9,459)	\$ 153,100	\$176,085	\$ (22,985)
\$ -0-	\$ -0-	\$ -0-	\$ 3,200	\$ 2,394	\$ 806
-0-	-0-	-0-	70,600	59,759	10,841
8,000	6,510	1,490	22,500	10,398	12,102
45,000	11,698	33,302	91,000	45,120	45,880
-0-	-0-	-0-	7,900	5,036	2,864
\$ 53,000	\$ 18,208	\$ 34,792	\$ 195,200	\$122,707	\$ 72,493
\$ 7,300	\$ 51,551	\$ (44,251)	\$ (42,100)	\$ 53,378	\$ (95,478)
40,167	40,167	-0-	306,943	306,943	-0-
\$ 47,467	\$ 91,718	\$ (44,251)	\$ 264,843	\$360,321	\$ (95,478)
=====	=====	=====	=====	=====	=====

MARQUETTE TOWNSHIP

STATEMENT OF CHANGES IN PLAN NET ASSETS ON A CASH BASIS  
PENSION TRUST FUND

For year ended March 31, 2004

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Additions	
Interest	
Contributions	\$ 1,882
	-0-
Total Additions	-----
	\$ 1,882
Deductions	
Administrative and other expenses	169
Net Increase in Plan Assets	-----
	\$ 1,713
Fund Balance Reserved for Pension Benefits - April 1, 2003	34,269
Fund Balance Reserved for Pension Benefits - March 31, 2004	-----
	\$35,982
	=====

See accompanying notes and auditors' report.

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Marquette Township is a regular law Michigan township with a population of 659. The Township is governed by a five member board of officials elected by the Township voters.

A. REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. In accordance with generally accepted accounting principles, there were no component units to be included in these financial statements.

B. BASIS OF PRESENTATION

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the local unit are recorded in separate funds categorized as follows:

Funds:

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid and charges for services to provide for the administration and operation of: (1) general Township, governmental departments, boards and commissions; (2) law enforcement; and (3) health welfare. This fund includes the general operating expenditures of the Township.

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) generally derived from state and federal grants, General Fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements. The Road Fund and the Fire and Ambulance Fund are the special revenue funds of Marquette Township.

Fiduciary Fund

Trust and agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The trust funds of Marquette Township are the Utility Authority, Cottle Cemetery, St. Martin's Pointe and the Pension Trust funds. The agency fund is the Tax Collection Fund.

Account Groups:

General Fixed Assets

This account group presents the fixed assets of Marquette Township utilized in its operations.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Marquette Township uses a financial resource measurement focus and the cash basis of accounting.

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

The accounting books and records of Marquette Township are maintained on the cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis certain revenues and related assets are recognized when received rather than when they are measurable and available and certain expenses are recognized when paid rather than when the obligation is incurred. The aforementioned statements do not, therefore, give affect to accounts receivable, accounts payable and accrued items. Generally accepted accounting principles require the modified accrual basis of accounting.

The Pension Trust Fund of Marquette Township is presented at fair value of the plan assets. Fair value is determined using the market value of the plan as of March 31, 2004.

D. PROPERTY TAXES

The Township's annual property tax on real and personal property within the Township is levied on December 1 and is based on taxable valuation of property as of the preceding December 31. Taxable valuation, which is required by the law to be 50% of current market value, is established by the Township and is subject to possible equalization by the State. In addition to collecting their own taxes, the Township also acts as collection agent for all overlapping governments in the Township, which includes school districts, intermediate school districts and the County. Property taxes are recorded as revenue on the cash basis when collected. The total current property taxes for Marquette Township for the year were \$89,090, \$23,318 which is recorded in the General Fund, \$56,286 which is recorded in the Road Fund and \$9,486 which is recorded in the Fire and Ambulance Fund. Marquette Township does not participate in the Delinquent Tax Revolving Fund and therefore, the delinquent portion of the 2003 tax levy due from taxpayers but not yet received by the Township at March 31, 2004, has been shown as deferred revenue in the General, Special Revenue - Road Fund, Fire and Ambulance, Fiduciary Fund - Utility Authority and St. Martin's Pointe Fund, as explained more fully in Note 6.

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PROPERTY TAX MILLAGE

The Townships property tax is levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31.

Although the Township's 2003 tax is levied and collectible on December 1, 2003, it is the Township's policy to recognize revenue from the current tax levy when received.

The 2003 State equalized valuation of Marquette Township totaled \$34,352,735 and a taxable value of \$19,911,116 of which taxes levied consisted of 1.3064 mills for the Township operating purposes, 2.7752 mills for roads and .4678 mills for fire and ambulance.

F. BUDGETS

Budgets were adopted by Marquette Township for the General and Special Revenue Funds. The budgets are adopted after holding a public hearing and approving the budgets before any business is transacted for the year. In addition, the board makes amendments to the budget throughout the year as they deem necessary. The budgets were prepared on the cash basis. Revenues are budgeted on a major source basis in the year receipt is expected, and expenditures are budgeted on an activity basis in the year payment is expected to be made. The financial statements present comparisons of actual revenue collected and expenditures paid to these budgets.

G. CASH AND INVESTMENTS

Marquette Township's cash consists of checking accounts, savings accounts, and certificates of deposit. Marquette Township's investments consist of insurance annuities for the pension trust fund.

H. DUE TO AND FROM OTHER FUNDS

During the course of normal operations, the Township has transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as "due from other funds" or "due to other funds".

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. GENERAL FIXED ASSETS

The Township maintains a General Fixed Asset Account Group as required by cash basis and budget laws of the State of Michigan. Purchases of fixed assets are recorded as expenditures in the General and Special Revenue Fund types at the time of acquisition. These assets are capitalized at cost and recorded in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. No depreciation is taken on these assets.

J. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or change in financial position in conformity with cash basis and budget laws of the State of Michigan, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

## MARQUETTE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

## NOTE 2 - BUDGET AMENDMENT

Once approved, the Township may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Authorized budget amendments were approved as follows:

<u>FUND</u>	<u>AMOUNT</u>
General Fund	
Supervisor	\$ 300
Treasurer	200
Assessor	1,000
Public Safety	
Fire and ambulance	(1,500)

## NOTE 3 - LEGAL COMPLIANCE

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act P.A. 2 of 1968 as amended (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Marquette Township's actual expenditures and budgeted expenditures have been shown on a activity basis. The approved budgets for Marquette Township for the budgeted funds were adopted to the activity level.

During the year, Marquette Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
General Government			
Treasurer	\$12,700	\$13,794	\$ (1,094)

## NOTE 4 - CASH DEPOSITS AND INVESTMENTS

Marquette Township's cash and investments as presented in the balance sheet are made up of the following:

Cash in checking	\$201,647
Cash in savings	20,608
Certificates of deposit	244,144
Pension Trust Fund	35,982
	-----
Total	\$502,381
	=====



MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

NOTE 4 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township board has authorized four banks as their designated financial institutions.

The Township board has authorized four banks as their designated financial institutions. The investment policy adopted by the board in accordance with Act 196 PA 1997 has authorized investments in certificates of deposit, savings accounts or depository receipts of financial institution, but only if the financial institution is eligible to be a depository of funds meeting all criteria as a depository of public funds contained in state law.

Cash Deposits

According to GASB Statement No. 3, risk disclosures for cash deposits are as follows:

	Bank Amount	Carrying Amount
Insured (FDIC)	\$367,428	\$364,320
Uninsured and uncollateralized	102,079	102,079
Total Deposits	\$469,507	\$466,399

The amount reported as bank amount represents the balance per financial institutions which excludes any deposits in transit and outstanding checks. The carrying amount represents the amount as reported for the Township's financial statements. Also, during the year the Township had funds in excess of \$100,000 on deposit in a particular financial institution which would not have been covered by federal depository insurance.

## MARQUETTE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

## NOTE 4 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

In accordance with GASB 3 risk disclosures for insurance annuities are non risk categorized.

	Carrying Amount	Market Value
	-----	-----
Non risk - categorized		
Pension Trust Fund		
Insurance annuities	\$ 35,982	\$ 35,982

Marquette Township has investments with the Manufacturers Life Insurance for the Defined Contribution Pension Trust Fund which is presented at fair value of the plan assets.

## NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
-----	-----	-----	-----
General	\$761	Fiduciary - Tax	\$761
	====		====

## NOTE 6 - TAXES RECEIVABLE AND DEFERRED PROPERTY TAX REVENUE

A receivable due from taxpayers in the amount of \$11,077 has been recorded for 2003 delinquent real property taxes. The breakdown by fund is as follows: General Fund - \$2,704, Special Revenue funds - Road Fund - \$5,746 and Fire and Ambulance - \$970 and Fiduciary Funds - Utility Authority - \$327 and St. Martin's Pointe - \$1,330. Additionally, each fund records its share of the delinquent amount as deferred revenue.

## NOTE 7 - DISTRIBUTION OF TAX COLLECTION

The Township must remit to the schools and the County total taxes collected through the 1st and 15th day of each month within 10 business days after the 1st and 15th day of each month. In addition, the Township is required to remit within ten business days, at least 90% of the total property tax collections on hand as of February 28 for tax revenues that were collected for other taxing units. The remittance due within ten business days of February 28 were remitted to the proper governmental units on a timely basis.

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

NOTE 8 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets follows:

	Balance April 1	Additions	Deletions	Balance March 31
Land and buildings	\$28,303	\$ -0-	\$ -0-	\$28,303
Furniture and equipment	19,547	4,156	-0-	23,703
Totals	\$47,850	\$4,156	\$ -0-	\$52,006

NOTE 9 - DEFINED CONTRIBUTION PLAN

Marquette Township maintains a defined contribution plan through Burnham & Flower Agency, Inc. using the Manufacturers Life Insurance Company (USA). The plan name is the Manulife Financial Defined Contribution Pension Plan for Governmental Employees. The plan administrator is the clerk of Marquette Township. The plan is a money purchase pension plan also called a defined contribution, individual account plan because contributions to the plan are fixed and the retirement benefit is that which the total amount of contributions and earnings (money) will provide (purchase) for each employee.

Participants in the plan are all elected officials of the Township who have attained age 18 and not more than age 75. Currently there are five people in the plan.

The Township board has a policy that permits the Township to have a defined contribution plan which they can amend. They have designated the clerk as plan administrator.

Contributions to the plan for elected officials are made by Marquette Township according to the following schedule:

Annual Compensation	Annual Contribution
Less than \$300	\$100
at least \$300 but less than \$600	\$200
at least \$600 but less than \$900	\$300
More than \$900	\$400

The contributions for the plan year were \$-0- by Marquette Township.

MARQUETTE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2004

=====

NOTE 9 - DEFINED CONTRIBUTION PLAN (CONTINUED)

The funds of the Marquette Township defined contribution pension plan are invested in Manulife Financial general account at interest rates which are guaranteed if held to maturity. These accounts invest primarily in federal and other governmental bonds, corporate bonds and commercial mortgages and are presented at fair market value on the cash basis.

NOTE 10 - POSTEMPLOYMENT

Other than the pension benefits described in Note 9, Marquette Township does not provide any postemployment benefits and, therefore, no accrual has been recorded for these benefits as of March 31, 2004.

NOTE 11 - COMPENSATED ABSENCES

The Township does not have a vacation or a sick leave benefit policy and, therefore, no accrual has been recorded for these benefits as of March 31, 2004.

NOTE 12 - RISK MANAGEMENT

Marquette Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workmens compensation benefits provided to employees.

The Township participates in the Michigan Township Participating plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. This plan is a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township above the \$100 deductible amount. The Township pays an annual premium of \$3,566 for this plan. The plan has a maximum liability for general liability of \$3,000,000 and wrongful acts of \$2,000,000.

Therefore, the Township has no additional liabilities beyond the contribution made to the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official error and omissions liabilities as it is covered by insurance policies or reinsurance treaties obtained by the plan.

In addition, the Township has purchased commercial insurance for workmens compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through insurance during the past year.

OTHER FINANCIAL INFORMATION

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## MARQUETTE TOWNSHIP

STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN  
CASH BASIS FUND BALANCE - GENERAL FUND - BUDGET AND ACTUAL

For the year ended March 31, 2004

	BUDGET	ACTUAL	VARIANCE UNDER (OVER)
Revenues Collected			
Taxes			
Current property taxes	\$ 22,000	\$ 23,318	\$ (1,318)
Delinquent property taxes	4,000	3,175	825
Property tax administration fees	5,000	6,470	(1,470)
Total Taxes	\$ 31,000	\$ 32,963	\$ (1,963)
Licenses and fees			
Building inspection	\$ 4,000	\$ 4,310	\$ (310)
State grants			
Payments in lieu of taxes	\$ -0-	\$ 6,214	\$ (6,214)
State shared revenues	50,000	46,958	3,042
Total State Grants	\$ 50,000	\$ 53,172	\$ (3,172)
Charges for services			
Cemetery	\$ 1,500	\$ 2,262	\$ (762)
Other	4,500	4,551	(51)
Total Charges for Services	\$ 6,000	\$ 6,813	\$ (813)
Interest and rents			
Interest	\$ 1,500	\$ 8,798	\$ (7,298)
Rents	300	270	30
Total Interest and Rents	\$ 1,800	\$ 9,068	\$ (7,268)
Total Revenues Collected	\$ 92,800	\$106,326	\$ (13,526)
Expenditures Paid			
Legislative			
Township board	\$ 3,200	\$ 2,394	\$ 806

See auditors' report.

## MARQUETTE TOWNSHIP

STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN  
CASH BASIS FUND BALANCE - GENERAL FUND - BUDGET AND ACTUAL (CONTINUED)

For the year ended March 31, 2004

	BUDGET	ACTUAL	VARIANCE UNDER (OVER)
Expenditures Paid (Continued)			
General government			
Supervisor	\$ 10,900	\$ 10,855	\$ 45
Treasurer	12,700	13,794	(1,094)
Assessor	12,900	12,587	313
Clerk	10,100	9,235	865
Elections	10,000	67	9,933
Board of review	1,000	745	255
Township hall	7,000	6,759	241
Cemetery	6,000	5,717	283
Total General Government	\$ 70,600	\$ 59,759	\$ 10,841
Public safety			
Fire and ambulance	\$ 4,500	\$ -0-	\$ 4,500
Building inspector	4,000	3,508	492
Zoning	5,000	380	4,620
Address indexing	1,000	-0-	1,000
Total Public Safety	\$ 14,500	\$ 3,888	\$ 10,612
Public works			
Highways, streets and bridges	\$ 45,000	\$ 32,653	\$ 12,347
Streets lights	1,000	769	231
Total Public Works	\$ 46,000	\$ 33,422	\$ 12,578
Other functions			
Social security	\$ 1,200	\$ 656	\$ 544
Insurance and bonds	6,700	4,380	2,320
Total Other Functions	\$ 7,900	\$ 5,036	\$ 2,864
Total Expenditures Paid	\$142,200	\$104,499	\$ 37,701
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	\$(49,400)	\$ 1,827	\$(51,227)
CASH BASIS FUND BALANCE - APRIL 1, 2003	266,776	266,776	-0-
CASH BASIS FUND BALANCE - MARCH 31, 2004	\$217,376	\$268,603	\$(51,227)

See auditors' report.

## MARQUETTE TOWNSHIP

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
SPECIAL REVENUE FUNDS

March 31, 2004

	ROAD FUND	FIRE AND AMBULANCE FUND	TOTAL (MEMORANDUM ONLY)
=====			
ASSETS			
Cash and investments	\$80,460	\$11,258	\$91,718
Taxes receivable	5,746	970	6,716
	-----	-----	-----
TOTAL ASSETS	\$86,206	\$12,228	\$98,434
	=====	=====	=====
LIABILITIES AND CASH BASIS FUND BALANCES			
LIABILITIES			
Deferred revenue - taxes receivable	\$ 5,746	\$ 970	\$ 6,716
CASH BASIS FUND BALANCES			
Unreserved	80,460	11,258	91,718
	-----	-----	-----
TOTAL LIABILITIES AND CASH BASIS FUND BALANCES	\$86,206	\$12,228	\$98,434
	=====	=====	=====

See auditors' report.



## MARQUETTE TOWNSHIP

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND  
CHANGES IN CASH BASIS FUND BALANCES - SPECIAL REVENUE FUNDS

For the year ended March 31, 2004

	ROAD FUND	FIRE AND AMBULANCE FUND	TOTAL (MEMORANDUM ONLY)
Revenues Collected:			
Taxes	\$ 56,286	\$ 9,486	\$ 65,772
State grants	3,616	4	3,620
Interest and rents	336	31	367
Total Revenues Collected	\$ 60,238	\$ 9,521	\$ 69,759
Expenditures Paid:			
Public safety	\$ -0-	\$ 6,510	\$ 6,510
Public works	11,698	-0-	11,698
Total Expenditures Paid	\$ 11,698	\$ 6,510	\$ 18,208
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	\$ 48,540	\$ 3,011	\$ 51,551
CASH BASIS FUND BALANCES - APRIL 1, 2003	31,920	8,247	40,167
CASH BASIS FUND BALANCES - MARCH 31, 2004	\$ 80,460	\$11,258	\$ 91,718

See auditors' report.

## MARQUETTE TOWNSHIP

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID, AND CHANGES IN  
CASH BASIS FUND BALANCES - SPECIAL REVENUE FUNDS - BUDGET AND ACTUAL

For the year ended March 31, 2004

	ROAD FUND		
	BUDGET	ACTUAL	VARIANCE UNDER (OVER)
Revenues Collected:			
Taxes	\$52,000	\$56,286	\$ (4,286)
State grants	-0-	3,616	(3,616)
Interest and rents	300	336	(36)
Total Revenues Collected	\$52,300	\$60,238	\$ (7,938)
Expenditures Paid:			
Public safety	\$ -0-	\$ -0-	\$ -0-
Public works	45,000	11,698	33,302
Total Expenditures Paid	\$45,000	\$11,698	\$ 33,302
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	\$ 7,300	\$48,540	\$ (41,240)
CASH BASIS FUND BALANCES - APRIL 1, 2001	31,920	31,920	-0-
CASH BASIS FUND BALANCES - MARCH 31, 2002	\$39,220	\$80,460	\$ (41,240)

See auditors' report.

FIRE AND AMBULANCE			TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE UNDER (OVER)	BUDGET	ACTUAL	VARIANCE UNDER (OVER)
\$ 8,000	\$ 9,486	\$ (1,486)	\$ 60,000	\$ 65,772	\$ (5,772)
-0-	4	(4)	-0-	3,620	(3,620)
-0-	31	(31)	300	367	(67)
\$ 8,000	\$ 9,521	\$ (1,521)	\$ 60,300	\$ 69,759	\$ (9,459)
\$ 8,000	\$ 6,510	\$ 1,490	\$ 8,000	\$ 6,510	\$ 1,490
-0-	-0-	-0-	45,000	11,698	33,302
\$ 8,000	\$ 6,510	\$ 1,490	\$ 53,000	\$ 18,208	\$ 34,792
\$ -0-	\$ 3,011	\$ (3,011)	\$ 7,300	\$ 51,551	\$ (44,251)
8,247	8,247	-0-	40,167	40,167	-0-
\$ 8,247	\$11,258	\$ (3,011)	\$ 47,467	\$ 91,718	\$ (44,251)
=====	=====	=====	=====	=====	=====

## MARQUETTE TOWNSHIP

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
FIDUCIARY FUND TYPES

March 31, 2004

=====				
	TRUST FUNDS			
	-----			
	COTTLE	UTILITY	ST.	PENSION
	CEMETERY	AUTHORITY	MARTIN'S	TRUST
	FUND	FUND	POINTE	FUND
	=====			
ASSETS				
Cash and investments	\$69,346	\$31,155	\$ 5,577	\$35,982
Taxes receivable	-0-	327	1,330	-0-
	-----	-----	-----	-----
TOTAL ASSETS	\$69,346	\$31,482	\$ 6,907	\$35,982
	=====	=====	=====	=====
LIABILITIES AND CASH BASIS FUND BALANCES				
LIABILITIES				
Deferred revenue - taxes receivable	\$ -0-	\$ 327	\$ 1,330	\$ -0-
Due to other funds	-0-	-0-	-0-	-0-
	-----	-----	-----	-----
TOTAL LIABILITIES	\$ -0-	\$ 327	\$ 1,330	\$ -0-
CASH BASIS FUND BALANCES				
Unreserved and undesignated	\$69,346	\$31,155	\$ 5,577	\$ -0-
Reserved for pension	-0-	-0-	-0-	35,982
	-----	-----	-----	-----
TOTAL CASH BASIS FUND BALANCES	\$69,346	\$31,155	\$ 5,577	\$35,982
	-----	-----	-----	-----
TOTAL LIABILITIES AND CASH				
BASIS FUND BALANCES	\$69,346	\$31,482	\$ 6,907	\$35,982
	=====	=====	=====	=====

See auditors' report.

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TAX COLLECTION FUND	TOTAL (MEMORANDUM ONLY)
---------------------------	-------------------------------

=====

\$ 761	\$142,821
-0-	1,657
-----	-----

\$ 761	\$144,478
=====	=====

\$ -0-	\$ 1,657
761	761
-----	-----

\$ 761	\$ 2,418
--------	----------

\$ -0-	\$106,078
-0-	35,982
-----	-----

\$ -0-	\$142,060
-----	-----

\$ 761	\$144,478
=====	=====

## MARQUETTE TOWNSHIP

COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND  
CHANGES IN CASH BASIS FUND BALANCES - TRUST FUNDS

For the year ended March 31, 2004

	COTTLE CEMETERY FUND	UTILITY AUTHORITY FUND	ST. MARTIN'S POINTE FUND	TOTAL (MEMORANDUM ONLY)
Revenues Collected:				
Taxes	\$ -0-	\$ 8,366	\$ 8,273	\$ 16,639
Interest and rents	2,765	246	17	3,028
Other - donations	187	-0-	-0-	187
Total Revenues Collected	\$ 2,952	\$ 8,612	\$ 8,290	\$ 19,854
Expenditures Paid:				
General government				
Cemetery	\$ 2,716	\$ -0-	\$ -0-	\$ 2,716
Public works				
Highways, streets and bridges	-0-	-0-	9,682	9,682
Total Expenditures Paid	\$ 2,716	\$ -0-	\$ 9,682	\$ 12,398
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	\$ 236	\$ 8,612	\$ (1,392)	\$ 7,456
Other Financing Sources (Uses):				
Payment to other governmental unit				
FMHA payment	-0-	( 5,763)	-0-	( 5,763)
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID AND OTHER FINANCING SOURCES (USES)	\$ 236	\$ 2,849	\$ (1,392)	\$ 1,693
CASH BASIS FUND BALANCES - APRIL 1, 2003	69,110	28,306	6,969	104,385
CASH BASIS FUND BALANCES - MARCH 31, 2004	\$69,346	\$31,155	\$ 5,577	\$106,078

See auditors' report.

## MARQUETTE TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND - TAX COLLECTION FUND

March 31, 2004

	BALANCE APRIL 1 2003	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31 2004
ASSETS				
Cash and investments	\$1,514	\$584,061	\$584,814	\$ 761
	=====	=====	=====	=====
LIABILITIES				
Due to other funds	\$1,422	\$ 94,622	\$ 95,283	\$ 761
Due to other governmental units				
County	29	195,481	195,510	-0-
School districts	63	286,750	286,813	-0-
Pickford Utility Authority	-0-	7,208	7,208	-0-
	-----	-----	-----	-----
TOTAL LIABILITIES	\$1,514	\$584,061	\$584,814	\$ 761
	=====	=====	=====	=====

See auditors' report.

MARQUETTE TOWNSHIP

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

March 31, 2004

=====

General Fixed Assets:

Land and buildings	\$28,303
Furniture and equipment	23,703
	-----
Total General Fixed Assets	\$52,006
	=====

Investment in General Fixed Assets by Source

General fund	\$52,006
	=====

See auditors' report.



MARQUETTE TOWNSHIP

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

March 31, 2004

	LAND AND BUILDINGS	FURNITURE AND EQUIPMENT	TOTAL
General government			
Township hall and grounds	\$28,303	\$23,703	\$52,006

See auditors' report.

MARQUETTE TOWNSHIP

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

For the year ended March 31, 2004

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS APRIL 1, 2003			GENERAL FIXED ASSETS MARCH 31, 2004	
		ADDITIONS	DEDUCTIONS		
General government					
Township hall and grounds	\$47,850	\$4,156	\$ -0-	\$52,006	
	=====	=====	=====	=====	

See auditors' report.



## GILLETT, HALVORSEN & LEONHARDT, P.C.

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MEMBER OF THE MICHIGAN  
ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE AMERICAN  
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Township Board  
Township of Marquette  
Pickford, MI 49774

We have recently completed our audit of the financial statements of Marquette Township for the year ended March 31, 2004. As required by generally accepted auditing standards, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for with management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

We conducted our audit of the financial statements of Marquette Township in accordance with generally accepted auditing standards. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error are remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the audit must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute, that financial statements are free of material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion".

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

During the year ended March 31, 2004, the Township did not initiate or change any of their significant accounting policies.

#### OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility of that future event affecting them may differ markedly from management's current judgment; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

#### COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/EFFICIENCY

Our procedures, which were made for the limited purpose described previously, would not necessarily disclose all material weaknesses in the system of internal control. Accordingly, we do not express an opinion on the system of internal control structure of the Township taken as a whole. However, our procedures disclosed the following conditions that we would like to bring to your attention.

## BUDGET

During the current year, expenditures exceeded the amount appropriated in one instance. Therefore, the Township has not complied with P.A. 621 of 1978, Section 18(1), as amended which states that a local unit of government shall not incur expenditures in excess of the amount appropriated. We recommend that the Township monitor the budget and make any necessary amendments during the year.

## CASH AND INVESTMENTS

At year end, the Township had \$102,079 on deposits with financial institutions that are uninsured by federal depository insurance. We recommend that the Township insure all funds.

## INTEREST-TAX COLLECTION FUND

Currently, the Township does not prorate and distribute to the various taxing units the interest earned on the tax collection savings account. We recommend that, unless the Township can obtain agreements with the appropriate taxing units to not do so, the interest should be distributed proportionally as required.

## SEGREGATION OF DUTIES

Separation of duties between persons who authorize transactions and persons who have control over the related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which the employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with only two employees involved. The careful and consistent oversight provided by the Township Board appears to offset the inability to separate various accounting functions and should be continued. The Township Board maintains monitoring of current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Township Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present, cannot exist.

In addition to the above reportable conditions, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency.

UNIFORM CHART OF ACCOUNTS

Currently, the Township does not use the uniform chart of account numbers when it codes its financial activity. Along with the written descriptions now used, we recommend that account numbers be also used for proper clarification.

This report is intended solely for the information and use of the Township Board.

*Gillett Halvorsen & Leonhardt P.C.*

Gillett, Halvorsen & Leonhardt, P.C.  
Certified Public Accountants

May 26, 2004  
Sault Ste. Marie, Michigan